

To: Bridget C. Bohac
Office of the Chief Clerk
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

October 1, 2012

Copy: Riverside Water Supply Corporation
Dinniah Tadema (TCEQ)
Blas J. Coy Jr. (TCEQ)
State Office of Administrative Hearings

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY
2012 OCT -4 AM 10:16
CHIEF CLERKS OFFICE

From: Jim Bonney, Member of Riverside Water Supply Corporation

Re: SOAH Docket No. 582-12-6877; TCEQ Docket No. 2012-1070-UCR; Reply to
Riverside Water Supply Attorney's correspondence dated September 18, 2012.

Regarding Procedural Matters

The Corporation has stated my letter of September 13th was untimely. I apologize if I have inadvertently offended either TCEQ or SOAH with an untimely response. I am not an attorney, nor am I familiar with TCEQ or SOAH established procedures. I am a Riverside Water Supply Corporation member who promoted the petition presented to TCEQ to investigate Riverside Water Supply Corporation's rates and fees.

It is my understanding from the preliminary hearing; the Honorable Administrative Law Judge has made his decision, and is in the process of making his recommendation to the TCEQ Commissioners. My letter of September 13, 2012 is an attempt to explain, more completely, all of the circumstances leading to the preliminary hearing of September 5, 2012, and to ask the Commissioners to move forward with the requested rate investigation.

Regarding the Assertions

The relevance of the Corporation's slow response to the public information request for a customer list has a great deal to do with the petition being disqualified. A timely response would have allowed time to raise the funds needed to send a letter to each of the 1800 plus members requesting their support and signature. A timely response would have allowed a larger percentage of the membership an opportunity to express its desire to have the Corporations rates and fees reviewed. Unfortunately, collecting signatures on petitions placed in restaurants and convenience stores was the only available alternative when the customer list was not provided in a timely fashion.

When the response arrived late, the only remaining use for the list was to compare petition names with the names on customer list. By providing a non-alphabetized list

with repetitive names, the Corporation made it impossible to check petition names against the customer list within the TCEQ established time limits.

The Corporation knew why the list was needed. The reason was discussed and explained on more than one occasion in the presence of water board member, Dick Golden who was in regular contact with the other board members. On at least one occasion, he publically said he would provide the list, only to call the next morning to explain he could not go against his fellow board members.

Other assertions including the Corporations costly contractor selection, costly right-of-way disputes, costly decisions to not maintain Trinity River Authority connections, and unwillingness to discuss issues in open forum have a great deal to do with the Corporations cost of service. Poor transparency prevents most members from knowing the issues. These assertions as well as other problems can be substantiated by an independent third party investigation, or with the cooperation of the Corporation.

Regarding the Board of Directors

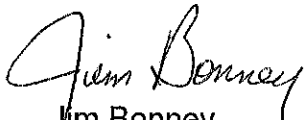
The Corporation states the assertions set forth in the September 13, 2012 letter should be handled by the Corporation's board of directors and the election process. The board of director's election process is flawed. Please consider the following:

- The Corporation reported only one board position would be available for a vote in March 2012 election. The incumbent, Dick Golden, ran for the open position and lost. The membership subsequently learned two board positions, not one, should have been placed on the March 2012 ballot.
- The majority directors then appointed to the board, the director who failed to run for reelection last March. They have also tried to appoint him to serve in a dual capacity of general manager even though his appointment is extremely questionable and a conflict of interest.
- The majority directors have appointed Dick Golden, who the membership voted out in March elections, to a position opening from the resignation of an ill director.
- Please see the two attachments which confirm these assertions: (1) an article from the Huntsville Item, that accurately summaries the confusion in the boards last regular meeting and (2) a copy of the Thursday, September 27, 2012, special board meeting agenda to support these assertions.
- Please note this Special Meeting, with extremely important items and ramifications, was scheduled with minimum allowable notice and scheduled at a time when members work hours interfere.

Regarding the Corporations Failure to Provide Notice of Motion to Dismiss

My name was identified as a member of the Corporation and the person presenting the petition to the TCEQ last March in the cover letter accompanying the petition. The TCEQ knows my name and notified me by mail about the original preliminary hearing date of August 29 and the subsequent date of September 5. Even though the Corporation is well aware of my ground root efforts to secure petition signatures, and knew of my intent to attend the preliminary hearing, I did not receive notice from the Corporation regarding its Motion to Dismiss before arriving at the preliminary hearing. The Corporation did not provide the opportunity for me to review the Motion, to review the disqualified signatures, or to prepare a clear and comprehensive response.

The above assertions caused the alleged shortfall of petition signatures. Please allow the rate and fee investigation to move forward.


Jim Bonney

Member

OPINION

THE HUNTSVILLE ITEM / THURSDAY, SEPTEMBER 27, 2012 / 4A

GUEST EDITORIAL

Riverside Water flubs director, GM replacement

BY DONALD CLIPPER
SPECIAL TO THE ITEM

In a comedy of errors at its September meeting, the Riverside Water Supply Corporation failed in its efforts to fill its open director and general manager positions.

The drama of the meeting played out amid a simmering controversy about the management of Riverside Water by its Board of Directors. Dissident members say that the Board has mismanaged the corporation's finances, leading to some of the highest water rates and tap fees in the area. Dissidents also complain that the Corporation's charging practices are arbitrary and that the directors and staff are rude and dismissive. The chorus of complaints against Riverside Water have been joined by the city of Riverside, which argues that the high water rates harm its citizens and hurt economic development.

The general manager position came open in July due to the untimely death of General Manager, Don Layman, in a motorcycle accident.

In August the Board appointed director, Gil Tatsch of Anderson, as interim general manager.

Newly-elected director, Bill Tutor, who opposed the appointment of Tatsch on the basis of a conflict of interest, discovered that Tatsch holds a director position that should have been on the ballot in the March 2012 election. Tutor contended that Tatsch's term expired in March and that he was no longer a director.

Directors Jack Plummer and Martin Knapp attempted to correct the problem with an agenda item reappointing Tatsch as Vice

President for a one year term and allowing him to run for a two year term in 2013. Plummer, acting as temporary chairman in the absence of Larry Dorman, who is ill, took the item out of order from the published agenda.

Audience member Brian Woodward objected vigorously, stating that the chairman had skipped over an open forum section of the agenda where several members wished to speak in opposition to the appointment of Tatsch. The chairman relented, and Woodward, and audience member Donna Pinon argued that the appointment of Tatsch would be a conflict of interest in that he would also be a member of the Board that would approve his actions and evaluate his performance.

Tatsch, who remained seated with the directors on the dais, admitted that he had forgotten to run for re-election and said that no one else at Riverside Water had reminded him to do so.

Director terms are for three years, and Tutor's research into corporation records showed that Tatsch was last elected in March 2009. Tutor himself was elected in March 2012, defeating long time director Dick Golden.

Tatsch apparently agreed with his critics and retired to the audience for the remainder of the meeting.

After the open forum, Acting-Chairman Plummer's motion to appoint Tatsch failed on a ruling by the Board Parliamentarian, David DeFranco, that as chairman, Plummer could not make motions or vote except in case of a tie.

Director Tutor also argued that the Board did not have the power to appoint Tatsch under the corporation by-laws, which permit the Board to appoint a replacement only in case of death or resignation of a director. He said that permitting a board member to forget to run and then be appointed to fill his own vacant position would subvert the election process.

The disqualification of Tatsch as a director further complicated filling the general manager position. Director Tutor pointed out that Tatsch was selected interim general manager in August by the Board in a 2-1 vote with Tatsch voting for himself. Directors Plummer and Tatsch disagreed that Tatsch had voted for himself, but audience member Donna Pinon read a quote confirming the fact from the minutes approved only moments earlier in the meeting. Tutor argued that since Tatsch was no longer a director in August, his vote was improper, resulting in an inconclusive tie vote.

Director Plummer without a Board vote directed Secretary Cindy Drake to correct the minutes to show that another director had voted for Tatsch. Drake stated that she would have to check the original tape recording of the meeting to confirm the minutes.

Director Tutor also argued that the corporation's own by-laws prohibits a person from serving both as a director and general manager, a section which closely follows a similar prohibition in the Texas Water Code.

As a result of its missteps, Riverside Water Corporation finished its regular meeting in chaos

with no general manager and deadlocked with only three active directors.

In an attempt to correct the errors from their regular September meeting, the Chairman of the Board, Larry Dorman, has called a special meeting for today. The first item on the agenda is to appoint the forgetful Tatsch as a director for the remainder of the 2012 over the objection that the Board does not have that authority under the by-laws.

The agenda also proposes to finish the uncompleted business of the regular meeting by appointing Tatsch as interim general manager despite Tutor's objection that the appointment is illegal under the corporation by-laws and the Texas Water Code.

As the regular meeting demonstrated, the business of the Board has been hampered by the absence of Board Chairman Larry Dorman due to illness. The agenda proposes to cure this problem by accepting the resignation of Dorman and appointment of former Board member Dick Golden in his place until the next meeting of the members in March 2013. Golden was defeated for re-election by Tutor in the March 2012 election.

Whether the Board has mismanaged the affairs of the corporation as Tutor, Bonney and other corporation members have alleged remains to be seen. However, if their handling of the recent meetings are an indication of the Board's prowess, Tutor and Bonney may be onto something.

The latest meeting called is today at 5:00 p.m. at the Riverside Water Supply Corporation office.

Monday, September 24, 2012

PUBLIC NOTICE Special Meeting

In compliance with state law, Texas Open Meeting Act, Section 551, Texas Government Code, Riverside Water Supply Corporation Board of Directors, Riverside, Walker County, Texas, will meet in Special Session on Thursday September 27, 2012. The Board will meet in the office of Riverside Water Supply Corporation at 5 p.m. located on Hwy. 19, Riverside, Texas.

The Agenda for the meeting is as follows:

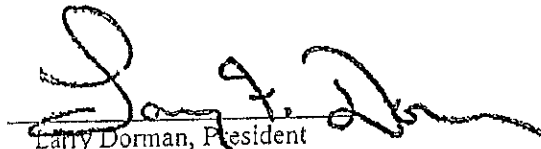
1. Call to order
2. Verify quorum
3. Pledge

New Business

4. Motion and Discussion to appoint Gil Tatsch as director for the remainder of the 2012 term.
5. Motion and Discussion to appoint Gil Tatsch as interim G.M. until this position is filled.
6. Motion and Discussion to accept Larry Dorman's resignation and appoint Dick Goldin to fill the position for the remainder of his term.
7. Motion and Discussion to hire G.M.

Open member forum [Limit 3 minutes per person]

8. Open discussion
9. Adjourn


Larry Dorman, President

I, the undersigned, do hereby certify that the above notice of meeting of the above-named Riverside Water Supply Corporation, is a true and correct copy of said notice, and I posted a true and correct copy of said notice on the courthouse door in Coldspring, San Jacinto County, Texas, and the courthouse door in Huntsville, Walker County, Texas, at a place readily accessible to the general public at all times, on Thursday September 27, 2012 and said notice remained so posted until scheduled time of said meeting.

Kari A. French, Clerk
Walker County, Texas

Deputy Clerk
San Jacinto County, Texas

Deputy